

COUNCIL AGENDA: 03-29-05

ITEM: 2.9

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Katy Allen
Frank Kirkbride

SUBJECT: SEE BELOW

DATE: 03-21-05

Approved

Date

3/22/05

Council District: Citywide

**SUBJECT: NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT:
DELEGATION OF AUTHORITY TO APPROVE CONTRACT SAVINGS**

RECOMMENDATION

- (a) Adoption of a resolution delegating to the Director of Public Works authority to issue change orders to reduce the compensation for Airport Master Plan public works contracts in any amount, which is in addition to the authority of the Director of Public Works to issue change orders for Airport Master Plan public works contracts pursuant to Municipal Code Section 14.04.415D.
 - (b) Approval of an ordinance amending Section 14.04.415 of Chapter 14.04 of the San José Municipal Code to authorize the Director of Public Works to issue change orders to reduce the compensation for Airport Master Plan public works contracts in any amount.
- CEQA: Resolutions No. 67380 and 71451, PP 04-092

BACKGROUND

Currently the Municipal Code authorizes the Director of Public Works to issue change orders for Airport Master Plan projects where the value of individual change orders does not exceed 1% of the contract amount and the cumulative value of all change orders does not exceed the approved contingency. The dollar limits for this authority applies to all change orders, regardless of whether the change order increases or decreases the compensation for the contract.

The first five major Master Plan projects resulted in significant credit change orders to reduce the compensation for the contract. These change orders were approved by Council at the conclusion of each of the projects. The sixth major project--the Runway 30 L Extension project--was also completed on time and under budget and negotiations are currently underway on the value of the final credit change order to reduce the compensation for the contract. These projects are shown in the following table:

Project	Original Value of Contract	Value of Final Council Approved Change Order	Total Contingency Savings
Runway 30 R Reconstruction	\$43,761,373	(\$1,171,462)	\$3,234,482
Runway 30 L Reconstruction	\$38,444,989	(\$16,241)	\$2,119,651
Interim Federal Inspection Services Project	\$31,037,000	(\$474,416)	\$1,114,687
Skyport Grade Separation	\$9,885,321	(\$78,458)	\$362,006
Cargo Ramp Taxiway & Security Project	\$9,664,860	(\$219,774)	\$937,222
Runway 30 L Extension	\$16,739,372	Est. (\$300,000)	Est. \$1,000,000
Total	\$149,532,915	Savings (est)	\$8,768,048

ANALYSIS

Staff believes that there may be other types of reductions in compensation similar to this on upcoming Airport Master Plan projects, including the North Concourse Project, which should be pursued.

If approved, the recommended action would provide the authority to the Director of Public Works to approve change orders to reduce the compensation in any amount for any of the Airport Master Plan contracts, including net credit change orders that include both cost and credit components. This would allow the project management team to be more responsive to suggestions for value engineering changes.

If the authority had been delegated to the Director of Public Works for the approval of these items, the payments to the contractors could have been made in a more timely manner, resulting in efficiencies, reduced financing costs, and better working relationships with contractors.

The delegation of authority to the Director of Public Works pursuant to the proposed resolution will become effective upon approval. The authorization pursuant to the proposed ordinance will become effective at the expiration of thirty (30) days after final adoption of the ordinance. The delegation pursuant to the proposed resolution will expire upon the effective date of the proposed ordinance.

AIRPORT MASTER PLAN CONSISTENCY

The San José Municipal Code requires that capital projects at the Airport be consistent with the adopted Airport Master Plan. This action is related to all Airport Master Plan projects and is

necessary for the appropriate administration of these projects and is therefore consistent with the Master Plan and the Municipal Code Section 25.04.210(B)(4).

PUBLIC OUTREACH

To solicit contractors, Airport projects are listed on the City's Internet Bid Line and advertised in the *San José Post Record*. In addition staff is working directly with contractor groups such as the CEA and the AGC and is prequalifying major trades.

COORDINATION

This project and memorandum have been coordinated with the City Attorney's Office, City Manager's Budget Office and the Planning, Building and Code Enforcement Department.

COST IMPLICATIONS

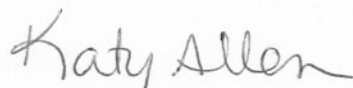
Because credit change orders reduce, or in the case of some net credit change orders maintain, the overall project costs, the delegation of authority for these change orders would not adversely impact the budgets for the Master Plan projects.

BUDGET REFERENCE


Not applicable.

CEQA

Resolution Nos. 67380 and 71451, PP 04-092.



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Director, Public Works Department



FRANK KIRKBRIDE
Acting Director of Aviation
Airport Department